

## Message Text

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64

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 /018 W  
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R 261941Z FEB 76

FM AMCONSUL RIO DE JANEIRO

TO USDOC WASHDC

INFO SCSTATE WASHDC 3420

AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 0869

USDOC FOR MEPD

E. O. 11652: N/A

TAGS: BEXP BR

SUBK: SIDERBRAS STAGE III EXPANSION - CSN TEMPER MILLS AND  
TANDEM COLD MILL

REF.: (A) RIO 768  
(B) RIO 778

SUMMARY: CSN OPENED PRICE ENVELOPES FOR TWO TEMPER MILLS  
AND ONE TANDEM COLD MILL ON FEB. 24. WEAN-UNITED WAS ONLY  
COMPETING U.S. FIRM. BECAUSE OF COMPLEXITY OF BID CALCULATIONS  
AND NEED FOR GOB TO STIPULATE APPLICABLE INCENTIVES FOR  
LOCAL MANUFACTURE, IT IS DIFFICULT TO PREDICT EVENTUAL  
WINNERS. WEAN'S BASIC PRICES APPEAR TO BE COMPETITIVE,  
ALTHOUGH IT SBIDS INCLUDE NO LOCAL CONTENT, WHEREAS OTHER BIDS  
MOSTLY INCORPORATE UPWARDS OF 60 PERCENT LOCAL MANUFACTURE.  
END SUMMARY.

2. ACCORDING TO JOHN KNOX OF WEAN-UNITED, WHO ATTENDED BID  
OPENINGS AND SURVEYED DOCUMENTS SUBMITTED BY ALL BIDDERS,  
SUMMARY TOTALS ON NO. 4 TEMPER MILL ARE AS FOLLOWS (ALL FIGURES  
US MILLIONS OF DOLLARS, USING CIF ON IMPORTED PORTION PLUS  
SPARES): (A) HITACHI/VILLARES \$15.855 MILLION, 64 PERCENT LOCAL  
CONTENT; (B) IHI/ISHIBRAS \$15.534 MILLION, 61 PERCENT LOCAL  
CONTET; (C) USIMEC/SCHOLOEMANN SIEMAG \$18.115 MILLION,  
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54 PERCENT LOCAL CONTENT; (D) MITSUBISHI/CBC \$15.811 MILLION,

64 PERCENT LOCAL CONTENT; (E) WEAN-UNITED \$16.880 MILLION  
ZERO LOCAL CONTENT. WEAN-UNITED BID IS FIXED PRICE;  
ALL OTHERS CONTAIN ESCALATION CLAUSES.

3. BIDS ON CSN NO. 5 TEMPER MILL REPORTED AS FOLLOWS:  
(A) HITACHI/VILLARES \$11.410 MILLION, 63 PERCENT LOCAL  
CONTENT; (B) IHI/ISHIBRAS \$11.187 MILLION, 50 PERCENT  
LOCAL CONTENT; (C) DAVY LOEWY/PIRATININGA \$12.570 MILLION,  
36 PERCENT LOCAL CONTENT; (D) MITSUBISH/CBC \$11.141 MILLION,  
61 PERCENT LOCAL CONTENT; (E) WEAN-UNITED \$13.430 MILLION,  
ZERO LOCAL CONTENT. WEAN-UNITED BID IS FIXED PRICE;  
ALL OTHERS CONTAIN ESCALATION CLAUSES.

4. BIDS ON CSN NO. 3 (TANDEM) COLD MILL REPORTED AS FOLLOWS:  
(A) HITACHI/VILLARES \$37.669 MILLION, 69 PERCENT LOCAL CONTENT;  
(B) IHI/ISHIBRAS \$35.301 MILLION, 58 PERCENT LOCAL CONTENT;  
(C) USIMEC/SCHLOEMANN SIEMAG \$39.241 MILLION, 61 PERCENT  
LOCAL CONTENT; (D) MITSUBISH/CBC \$36.366 MILLION, 64 PERCENT  
LOCAL CONTENT; (E) WEAN-UNITED \$36.330 MILLION, ZERO LOCAL  
CONTENT. WEAN-UNITED BID IS FIXED PRICE; ALL OTHERS CONTAIN  
ESCALATION CLAUSES.

5. NOTE: FOR PRICE COMPARISON PURPOSES, 15 PERCENT OF  
CIF PRICE OF IMPORTED EQUIPMENT MUST BE ADDED TO ABOVE  
TOTALS IN CASE OF ALL THREE WEAN-UNITED BIDS, AS WELL  
AS TO DAVY LOEWY BID ON NO. 5 TEMPER MILL BECAUSE LESS  
THAN 50 PERCENT OF THE PACKAGE WOULD BE MANUFACTURED  
IN BRAZIL. FYI: KNOX MENTIONED AN INTERESTING POINT  
THIS CONNECTION. BRAZILIAN INDUSTRIALISTS FREQUENTLY  
ASSERT THAT 15 PERCENT IS NOT SUFFICIENT PROTECTION TO  
ENABLE THEM TO COMPETE AGAINST FOREIGN-MADE EQUIPMENT.  
BUT, KNOX POINTED OUT, BECAUSE THE 15 PERCENT CALCULATION  
IS BASED ON CIF PRICES, ACTUAL PROTECTION GENERALLY  
WORKS OUT TO ABOUT 25 PERCENT. END FYI.

6. KNOX STATED THAT, AS WAS CASE AT TIME OF OPENING PRICE  
ENVELOPES FOR CSN HOT STRIP MILL, MATTER OF GOB INCENTIVES  
FOR LOCAL MANUFACTURE OF COMPONENTS INCLUDED IN ABOVE  
PACKAGES REMAINS UNCLEAR. RESOLUTION OF THIS ISSUE,  
ACCORDING TO INDUSTRY SOURCES, COULD WELL BE CRUCIAL  
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IN MAKING FINAL AWARDS. ANOTHER IMPORTANT FACTOR,  
EXCEPT IN CASE OF WEAN-UNITED'S FIXED PRICE BIDS, WILL  
BE CSN'S ASSESSMENT OF ESCALATION CLAUSES BASED ON  
PROJECTED RATES OF INFLATION IN SUPPLIER COUNTRIES.

7. RE CSN HOT STRIP MILL (REFTELS), KNOX AND OTHER  
MEMBERS OF HIS CONSORTIUM (SECIM AND MECANICA PESADA),  
HAVE ATTEMPTED TO RANK ORDER ALL THE BIDS TAKING INTO

ACCOUNT 15 PERCENT PROTECTION, PREVAILING EXCHANGE RATES AND PROJECTED INFLATION RATES FOR THE NEXT TWO YEARS ON BIDS THAT INCLUDE ESCALATION CLAUSES. INVENTIVES FOR LOCAL MANUFACTURE ARE NOT TAKEN INTO ACCOUNT BECAUSE GOB HAS YET TO STIPULATE THEM. RANKINGS ARE AS FOLLOWS, CONVERTED TO MILLIONS OF US DOLLARS (ALL TOTALS EXCEPT WEAN-UNITED'S ARE WITHOUT SPARES):  
(A) BLAW KNOX/DEMAG/HITACH \$102.000 MILLION; INNOCENTI/INNOBRA/BADONI \$104.866 MILLION; MESTA/VILLARES/BARDELLA \$116.364 MILLION; DAVY LOEWY/SCHLOEMANN SIEMAG/USIMEC/PIRATININGA \$119.839 MILLION; IHI/MITSUBISHI/ISHIBRAS/CBC \$121.466 MILLION; WEAN/SECIM/MECANICA PESADA \$141.653 MILLION.

8. DETAILED CALCULATIONS OF COMPRATIVIE PRICES MADE BY WEAN-UNITED GROUP FOR HOT STRIP MILL, AS WELL AS ADDITIONAL DATA ON BRIEAKDOWN OF TEMPER AND TANDEM COLD MILL BIDS WILL BE POUCHED TO MEPD.

9. KNOX STATED THAT WITHIN NEXT MONTH CSN IS SCHEDULLED TO OPEN BIDS ON FOLLOWING IMPORTANT PACKAGES FOR WHICH WEAN IS COMPETING (BUT NOT ALL WOULD BE SOURCED FROM U.S. PLANTS): TWO COLD-ROLL FINISHING LINES (ONE PACKAGE); TWO GALVANIZING LINES (TWO PACKAGES); THREE CONTINUOUS ANNEALING LINES (ONE PACKAGE). ALSO SCHEDULLED TO BE OPENED WITHIN SAME PERIOD ARE PRICE ENVELOPES FOR PLATE FINISHING LINE AND HOT ROLL FINISHING LINE, FOR WHICH WEAN IS NOT SUBMITTING BIDS. ON ALL OF ABOVE BIDDING CSN WILL USE ONE-STAGE OPENINGS, I.E. TECHNICAL AND PRICE ENVELOPES WILL BE OPENED AT SAME TIME.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
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**Original Previous Classification:** n/a  
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**Page Count:** 3  
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**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** castelsl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 JUL 2004 by schwenja>; APPROVED <01 SEP 2004 by castelsl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** : SIDERBRAS STAGE III EXPANSION - CSN TEMPER MILLS AND TANDEM COLD MILL  
**TAGS:** BEXP, BR  
**To:** COM  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006